Dipaleseng Local Municipality
Unaudited Annual financial statements
for the year ended 30 June 2016

Dipaleseng Local Municipality

(Registration number MP 306)
Unaudited Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Local Municipality (MP 306)
Demarcation code	MP 306
Executive Mayor	Councillor: MD Khanye
Speaker	Councillor: ML Makhubu
	Councillor PR Thenjekwayo (Until 18 February 2016)
Councillors	Councillor: DS Sithole (MMC)
	Councillor: AN Carrim (MMC)
	Councillor: M Tsotetsi
	Councillor: TJ Mahlangu
	Councillor: AS Motloung (MPAC Chaiperson)
	Councillor: WS Davel
	Councillor: RJ Hall
	Councillor: DG Zwane
	Councillor: N Zwane
	Councillor: NS Nhlapo (Mayor- Until 18 February 2016)
Accounting Officer	Mr. S Netshivhale
Chief Financial Officer (CFO)	Ms A Ngema
Grading of local authority	Low capacity municipality (Grade 2)
Nature of business and principal activities	Local government institution in the Gert Sibande District, Mpumalanga
Auditors	Auditor General South Africa
Bankers	First National Bank Limited South Africa
Legal advisors	Ramathe MJ Attorneys Mangena & Associates Twala Attorneys
Currency	South African Rand
Rounding off	Nearest Rand
Registered office	Cnr of Johnny Mokoena Drive and Themba Shozi Street Balfour Mpumalanga 2410
Postal address	Private Bag X10005 Balfour Mpumalanga 2410
Telephone number	017 773 0055
Fax number	017 773 0169
e-mail address	dipaleseng@worldonline.co.za
Website	www.dipaleseng.gov.za

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
ASB	Accounting Standard Board
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grants

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The unaudited annual financial statements set out on pages 4 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

Accounting Officer
Mr S Netshivhale

Balfour

31 August 2016

Accounting Officer's Report

The accounting officer submits the report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 6 437 244 (2015: Surplus R 17 761 550).

2. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The unaudited annual financial statements prepared in accordance with the South African Statements of Generally Acceptible Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Standard Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year were Mr. DV Ngcobo and at reporting date Mr S. Netshivhale .

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King 3 Report on Corporate Governance for South Africa 2002. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitors the municipality's compliance with the code on a quarterly basis.

The salient features of the municipality's adoption of the Code are outlined below:

Audit committee

During the current financial year the chairperson of the audit committee was Mr. A.C. Keyser who is an independent audit committee member. The Municipality has in additon two other independent audit committee members.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Dipaleseng Local Municipality was able to appoint the independent members as required by the Municipal Finance Management Act 166 section 4 during the year under review.

Internal audit

The Municipal internal audit unit is headed by Mr S.A.Z. Nzuza This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

First National Bank Limited will continue to provide financial services to the municipality.

Accounting Officer's Report

8. Auditors

Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2016 as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	23 652 932	24 852 135
Receivables from non-exchange transactions	4	4 520 661	3 247 763
Receivables from exchange transactions	5	24 913 102	14 281 303
Inventories	6	285 171	444 212
		53 371 866	**42 825 413**
Non-Current Assets			
Investment property	9	48 361 717	49 511 635
Property, plant and equipment	10	361 871 187	359 392 761
Intangible assets	7	350 074	350 074
Financial Asset	8	216 815	216 815
		410 799 793	**409 471 285**
Total Assets		**464 171 659**	**452 296 698**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	62 998 789	54 033 098
Consumer deposits	12	1 519 586	1 449 175
VAT payable	13	15 355 286	18 506 450
Unspent conditional grants and receipts	14	20 816 826	21 439 222
Provisions	15	20 525 686	14 126 152
Employee benefit obligation	16	278 712	230 412
		121 494 885	**109 784 509**
Non-Current Liabilities			
Employee benefit obligation	16	11 908 059	9 142 857
Provisions	15	18 823 293	14 908 979
		30 731 352	**24 051 836**
Total Liabilities		**152 226 237**	**133 836 345**
Net Assets		**311 945 422**	**318 460 353**
Accumulated surplus		311 945 422	318 460 353

* See Note 38

Statement of Financial Performance for the year ended 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	74 112 784	65 910 201
Rental of facilities and equipment		212 641	203 359
Licences and permits		3 493 909	3 379 282
Other income	18	790 751	14 828 187
Interest revenue	19	16 495 713	16 504 732
Total revenue from exchange transactions		**95 105 798**	**100 825 761**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	13 645 484	10 203 275
Transfer revenue			
Government grants & subsidies	21	81 420 396	98 082 868
Fines		1 521 250	925 750
Total revenue from non-exchange transactions		**96 587 130**	**109 211 893**
Total revenue	22	**191 692 928**	**210 037 654**
Expenditure			
Employee related costs	23	(50 655 453)	(46 948 414)
Remuneration of councillors	24	(4 958 728)	(4 922 783)
Depreciation and amortisation	25	(18 289 205)	(21 181 201)
Impairment loss	31	(102 249)	(751 942)
Finance costs	26	(389 547)	(932 455)
Lease rentals on operating lease		(798 321)	(507 266)
Debt Impairment	27	(28 339 477)	(44 607 754)
Repairs and maintenance		(5 850 378)	(3 698 233)
Bulk purchases	28	(43 356 775)	(37 568 412)
Transfers and Subsidies	29	(3 163 334)	(584 678)
General Expenses	30	(41 076 787)	(30 647 924)
Total expenditure		**(196 980 254)**	**(192 351 062)**
Operating (deficit) surplus		**(5 287 326)**	**17 686 592**
Fair value adjustments		(1 149 918)	74 958
(Deficit) surplus for the year		**(6 437 244)**	**17 761 550**

* See Note 38

Statement of Changes in Net Assets for the year ended 30 June 2016

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	207 640 649	207 640 649
Adjustments		
Correction of prior year errors	93 318 582	93 318 582
Prior year adjustments	(260 428)	(260 428)
Balance at 01 July 2014 as restated*	**300 698 803**	**300 698 803**
Changes in net assets		
Restated Surplus for the year	17 761 550	17 761 550
Total changes	17 761 550	17 761 550
Restated* Balance at 01 July 2015	**318 382 666**	**318 382 666**
Changes in net assets		
Deficit for the year	(6 437 244)	(6 437 244)
Total changes	(6 437 244)	(6 437 244)
Balance at 30 June 2016	**311 945 422**	**311 945 422**

* See Note 38

Cash Flow Statement for the year ended 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		68 729 857	35 833 615
Grants		77 494 826	99 035 773
Interest income		16 495 713	16 504 732
Other receipts		4 474 046	18 575 848
		167 194 442	169 949 968
Payments			
Employee costs		(54 751 386)	(49 078 403)
Suppliers		(92 305 136)	(58 748 440)
Finance costs		(389 547)	(932 455)
		(147 446 069)	(108 759 298)
Net cash flows from operating activities	33	**19 748 373**	**61 190 670**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(20 767 631)	(56 290 278)
Net increase/(decrease) in cash and cash equivalents		**(1 019 258)**	**4 900 392**
Cash and cash equivalents at the beginning of the year		24 852 135	19 951 744
Cash and cash equivalents at the end of the year	2	**23 832 877**	**24 852 136**

* See Note 38

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	75 330 130	2 531 047	**77 861 177**	74 112 784	**(3 748 393)**	
Rental of facilities and equipment	212 430	(6 843)	**205 587**	212 641	**7 054**	
Licences and permits	3 257 666	(1 263)	**3 256 403**	3 493 909	**237 506**	
Other income	2 246 588	(1 183 902)	**1 062 686**	790 751	**(271 935)**	
Interest revenue	16 977 600	(549 981)	**16 427 619**	16 495 713	**68 094**	
Gains on disposal of assets	1 200 000	-	**1 200 000**	-	**(1 200 000)**	
Total revenue from exchange transactions	**99 224 414**	**789 058**	**100 013 472**	**95 105 798**	**(4 907 674)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	9 766 743	4 233 257	**14 000 000**	13 645 484	**(354 516)**	
Transfer revenue						
Government grants & subsidies	56 678 000	1 193 774	**57 871 774**	81 420 396	**23 548 622**	
Fines, Penalties and Forfeits	1 142 844	364 840	**1 507 684**	1 521 250	**13 566**	
Total revenue from non-exchange transactions	**67 587 587**	**5 791 871**	**73 379 458**	**96 587 130**	**23 207 672**	
Total revenue	**166 812 001**	**6 580 929**	**173 392 930**	**191 692 928**	**18 299 998**	
Expenditure						
Personnel	(50 387 073)	5 164 572	**(45 222 501)**	(50 655 453)	**(5 432 952)**	47.1
Remuneration of councillors	(5 419 347)	312 434	**(5 106 913)**	(4 958 728)	**148 185**	
Depreciation and amortisation	(36 091 008)	11 091 000	**(25 000 008)**	(18 289 205)	**6 710 803**	47.2
Impairment loss	-	-	**-**	(102 249)	**(102 249)**	
Finance costs	(338 000)	176 000	**(162 000)**	(389 547)	**(227 547)**	
Lease rentals on operating lease	(924 090)	-	**(924 090)**	(798 321)	**125 769**	
Debt impairment	(48 169 998)	6 701 226	**(41 468 772)**	(28 339 477)	**13 129 295**	47.3
Repairs and maintenance	(4 370 831)	(1 694 850)	**(6 065 681)**	(5 850 378)	**215 303**	
Bulk purchases	(39 863 149)	(2 113 687)	**(41 976 836)**	(43 356 775)	**(1 379 939)**	47.4
Transfers and Subsidies	(4 169 000)	(1 395 000)	**(5 564 000)**	(3 163 334)	**2 400 666**	47.5
General Expenses	(20 256 910)	(9 554 227)	**(29 811 137)**	(41 076 787)	**(11 265 650)**	47.6
Total expenditure	**(209 989 406)**	**8 687 468**	**(201 301 938)**	**(196 980 254)**	**4 321 684**	
Operating deficit	**(43 177 405)**	**15 268 397**	**(27 909 008)**	**(5 287 326)**	**22 621 682**	
Fair value adjustments	-	-	**-**	(1 149 918)	**(1 149 918)**	
Deficit before taxation	**(43 177 405)**	**15 268 397**	**(27 909 008)**	**(6 437 244)**	**21 471 764**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(43 177 405)**	**15 268 397**	**(27 909 008)**	**(6 437 244)**	**21 471 764**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	240 000	204 000	**444 000**	285 171	**(158 829)**	
Receivables from non-exchange transactions	5 472 032	(3 885 142)	**1 586 890**	4 520 661	**2 933 771**	
Receivables from exchange transactions	23 527 968	(4 768 858)	**18 759 110**	24 913 102	**6 153 992**	
Cash and cash equivalents	16 942 000	5 720 000	**22 662 000**	23 652 932	**990 932**	
	46 182 000	**(2 730 000)**	**43 452 000**	**53 371 866**	**9 919 866**	
Non-Current Assets						
Investment property	9 751 000	(5 871 042)	**3 879 958**	48 361 717	**44 481 759**	
Property, plant and equipment	298 693 000	7 684 174	**306 377 174**	361 871 187	**55 494 013**	
Intangible assets	350 074	-	**350 074**	350 074	**-**	
Financial Asset	216 815	-	**216 815**	216 815	**-**	
	309 010 889	**1 813 132**	**310 824 021**	**410 799 793**	**99 975 772**	
Total Assets	**355 192 889**	**(916 868)**	**354 276 021**	**464 171 659**	**109 895 638**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	32 104 900	37 261 399	**69 366 299**	62 998 792	**(6 367 507)**	
VAT payable	-	-	**-**	15 355 286	**15 355 286**	
Consumer deposits	1 900 000	(416 060)	**1 483 940**	1 519 586	**35 646**	
Employee benefit obligation	-	-	**-**	278 712	**278 712**	
Unspent conditional grants and receipts	-	-	**-**	20 816 826	**20 816 826**	
Provisions	500 000	15 056 000	**15 556 000**	20 525 686	**4 969 686**	
	34 504 900	**51 901 339**	**86 406 239**	**121 494 888**	**35 088 649**	
Non-Current Liabilities						
Employee benefit obligation	8 332 000	281 836	**8 613 836**	11 908 059	**3 294 223**	
Provisions	15 438 000	-	**15 438 000**	18 823 293	**3 385 293**	
	23 770 000	**281 836**	**24 051 836**	**30 731 352**	**6 679 516**	
Total Liabilities	**58 274 900**	**52 183 175**	**110 458 075**	**152 226 240**	**41 768 165**	
Net Assets	**296 917 989**	**(53 100 043)**	**243 817 946**	**311 945 419**	**68 127 473**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	296 917 989	(53 100 043)	**243 817 946**	311 945 419	**68 127 473**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	5 371 709	3 728 291	**9 100 000**	-	**(9 100 000)**	
Sale of goods and services	46 795 166	7 986 284	**54 781 450**	68 550 057	**13 768 607**	
Grants	88 321 000	12 263 262	**100 584 262**	77 494 826	**(23 089 436)**	
Interest income	2 134 085	1 929 489	**4 063 574**	16 495 713	**12 432 139**	
Other receipts	16 188 638	(9 065 767)	**7 122 871**	4 653 846	**(2 469 025)**	
	158 810 598	**16 841 559**	**175 652 157**	**167 194 442**	**(8 457 715)**	
Payments						
Employee costs	(50 387 073)	5 164 572	**(45 222 501)**	(54 751 386)	**(9 528 885)**	
Suppliers	(75 619 371)	(13 159 077)	**(88 778 448)**	(92 305 136)	**(3 526 688)**	
Finance costs	(338 000)	176 000	**(162 000)**	(389 547)	**(227 547)**	
	(126 344 444)	**(7 818 505)**	**(134 162 949)**	**(147 446 069)**	**(13 283 120)**	
Net cash flows from operating activities	**32 466 154**	**9 023 054**	**41 489 208**	**19 748 373**	**(21 740 835)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(31 643 000)	(11 000 000)	**(42 643 000)**	(20 767 631)	**21 875 369**	
Proceeds from sale of property, plant and equipment	-	1 200 000	**1 200 000**	-	**(1 200 000)**	
Net cash flows from investing activities	**(31 643 000)**	**(9 800 000)**	**(41 443 000)**	**(20 767 631)**	**20 675 369**	
Net increase/(decrease) in cash and cash equivalents	823 154	(776 946)	**46 208**	(1 019 258)	**(1 065 466)**	
Cash and cash equivalents at the beginning of the year	1 119 000	1 942 000	**3 061 000**	24 852 136	**21 791 136**	
Cash and cash equivalents at the end of the year	**1 942 154**	**1 165 054**	**3 107 208**	**23 832 878**	**20 725 670**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	9 766 743	4 233 257	14 000 000	-		14 000 000	13 645 484		(354 516)	97 %	140 %
Service charges	75 330 130	2 531 047	77 861 177	-		77 861 177	74 112 784		(3 748 393)	95 %	98 %
Interest revenue	16 977 600	(549 981)	16 427 619	-		16 427 619	16 495 713		68 094	100 %	97 %
Transfers recognised - operational	56 678 000	1 193 774	57 871 774	-		57 871 774	56 678 000		(1 193 774)	98 %	100 %
Other own revenue	8 059 527	(827 168)	7 232 359	-		7 232 359	6 018 551		(1 213 808)	83 %	75 %
Total revenue (excluding capital grants and subsidies)	**166 812 000**	**6 580 929**	**173 392 929**	**-**		**173 392 929**	**166 950 532**		**(6 442 397)**	**96 %**	**100 %**
Employee costs	(50 387 073)	5 164 572	(45 222 501)	-	-	(45 222 501)	(50 655 453)	-	(5 432 952)	112 %	101 %
Remuneration of councillors	(5 419 347)	312 434	(5 106 913)	-	-	(5 106 913)	(4 958 728)	-	148 185	97 %	92 %
Debt impairment	(48 169 998)	6 701 226	(41 468 772)			(41 468 772)	(28 339 477)	-	13 129 295	68 %	59 %
Depreciation and asset impairment	(36 091 008)	11 091 000	(25 000 008)			(25 000 008)	(18 289 205)	-	6 710 803	73 %	51 %
Finance charges	(338 000)	176 000	(162 000)	-	-	(162 000)	(389 547)	-	(227 547)	240 %	115 %
Materials and bulk purchases	(44 233 980)	(3 808 537)	(48 042 517)	-	-	(48 042 517)	(43 356 775)	-	4 685 742	90 %	98 %
Transfers and grants	(4 169 000)	(1 395 000)	(5 564 000)	-	-	(5 564 000)	(3 163 334)	-	2 400 666	57 %	76 %
Other expenditure	(21 181 000)	(9 554 227)	(30 735 227)	-	-	(30 735 227)	(47 827 735)	-	(17 092 508)	156 %	226 %
Total expenditure	**(209 989 406)**	**8 687 468**	**(201 301 938)**	**-**	**-**	**(201 301 938)**	**(196 980 254)**	**-**	**4 321 684**	**98 %**	**94 %**
Surplus/(Deficit)	**(43 177 406)**	**15 268 397**	**(27 909 009)**	**-**		**(27 909 009)**	**(30 029 722)**		**(2 120 713)**	**108 %**	**70 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	24 742 396		24 742 396	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital grants and subsidies	**(43 177 406)**	**15 268 397**	**(27 909 009)**	**-**		**(27 909 009)**	**(5 287 326)**		**22 621 683**	**19 %**	**12 %**
Surplus/(Deficit) for the year	**(43 177 406)**	**15 268 397**	**(27 909 009)**	**-**		**(27 909 009)**	**(5 287 326)**		**22 621 683**	**19 %**	**12 %**

Capital expenditure and funds sources

Total capital expenditure	59 143 000	11 000 000	70 143 000	-		70 143 000	25 347 466		(44 795 534)	36 %	43 %
Sources of capital funds											
Transfers recognised - capital	31 643 000	11 000 000	42 643 000	-		42 643 000	-		(42 643 000)	- %	- %
Public contributions and donations	-	27 500 000	27 500 000	-		27 500 000	-		(27 500 000)	- %	DIV/0 %
Total sources of capital funds	**31 643 000**	**38 500 000**	**70 143 000**	**-**		**70 143 000**	**-**		**(70 143 000)**	**- %**	**- %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	32 466 153	9 023 055	41 489 208	-		41 489 208	19 748 373		(21 740 835)	48 %	61 %
Net cash from (used) investing	(31 643 000)	(9 800 000)	(41 443 000)	-		(41 443 000)	(20 767 631)		20 675 369	50 %	66 %
Net increase/(decrease) in cash and cash equivalents	**823 153**	**(776 945)**	**46 208**	**-**		**46 208**	**(1 019 258)**		**(1 065 466)**	**(2 206)%**	**(124)%**
Cash and cash equivalents at the beginning of the year	1 119 000	1 942 000	3 061 000	-		3 061 000	24 852 135		21 791 135	812 %	2 221 %
Cash and cash equivalents at year end	**1 942 153**	**1 165 055**	**3 107 208**	**-**		**3 107 208**	**23 832 877**		**(20 725 669)**	**767 %**	**1 227 %**

The accounting policies on pages 16 to 38 and the notes on pages 39 to 66 form an integral part of the unaudited annual financial statements.

Accounting Policies for the year ended 30 June 2016

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for writing down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the impairment testing assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Accounting Policies for the year ended 30 June 2016

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies for the year ended 30 June 2016

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies for the year ended 30 June 2016

1.3 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	0-100 years
Plant and machinery	Straight line	5-15 years
Furniture and fixtures	Straight line	3-10 years
Motor vehicles	Straight line	5-12 years
Office equipment	Straight line	3-7 years
IT equipment	Straight line	1-3 years
Computer software	Straight line	1-3 years
Infrastructure	Straight line	0-100 years
Community	Straight line	0-100 years
Other property, plant and equipment	Straight line	5-12 years
Specialised vehicles	Straight line	5-7 years
Tools and loose gear	Straight line	3-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies for the year ended 30 June 2016

1.3 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

1.4 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3 years
Other intangible assets - servitudes	indefinite

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Accounting Policies for the year ended 30 June 2016

1.5 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from non-exchange transaction	Financial asset measured at amortised cost
Receivables from exchange transaction	Financial asset measured at amortised cost
Other financial deposits	Financial asset measured at amortised cost

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer Deposits	Financial liability measured at amortised cost
trade and other payables from exchanged transaction	Financial liability measured at amortised cost

1.5 Financial instruments (continued)

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Accounting Policies for the year ended 30 June 2016

1.5 Financial instruments (continued)

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies for the year ended 30 June 2016

1.5 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction and then their costs are their fair value as at the date of acquisition.

Accounting Policies for the year ended 30 June 2016

1.7 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Accounting Policies for the year ended 30 June 2016

1.8 Construction contracts and receivables (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies for the year ended 30 June 2016

1.10 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Accounting Policies for the year ended 30 June 2016

1.10 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the unaudited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.10 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.11 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies for the year ended 30 June 2016

1.11 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

1.12 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsory paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.13 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.13 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.14 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.21 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term, highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as current assets. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

1.22 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The unaudited annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the unaudited annual financial statements. Refer to note 47.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

2. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Bank balances	23 652 932	24 852 135

Credit quality of cash at bank and short term deposits, excluding cash on hand

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank- Cheque account 51590870208	346 830	136 141	1 927 149	346 761	238 533	1 927 149
First National Bank- Current Account 62054655827	748 624	2 138 994	632 694	748 548	2 169 626	632 694
First National Bank- Call Acoount 62033239783	22 557 623	22 443 976	17 391 901	22 557 623	22 443 976	17 391 901
Total	**23 653 077**	**24 719 111**	**19 951 744**	**23 652 932**	**24 852 135**	**19 951 744**

3. Receivables from exchange transactions

4. Receivables from non-exchange transactions

	2016	2015
Rates	33 139 038	34 933 508
Fines	3 588 625	2 139 375
Less: Allowance for impairment	(32 207 002)	(33 825 120)
	4 520 661	**3 247 763**

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2016	2015
Opening balance	(42 405 049)	(33 825 120)
Provision for impairment	(4 150 856)	(8 579 929)
	(46 555 905)	**(42 405 049)**

As of 30 June 2016, in the provision of receivables from non-exchange transactions of R 32 207 002 (2015: R 33 825 120) were impaired and provided for.

Included in debt impairment of receivables from non-exchange transactions is impairment amounting to R 29 336 102 (2015: R 32 220 589) for property rates and R 2 870 900 (2015: R 1 604 531) for fines.

As of 30 June 2016, the net carrying amounts of receivables from non-exchange transactions were R 3 802 936 (2015: R 2 712 919) for property rates and R 717 725 (2015: R 534 844) for fines.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

5. Receivables from exchange transactions

Gross balances		
Electricity	23 325 660	19 529 725
Water	52 142 708	55 679 053
Sewerage	57 314 444	59 074 454
Refuse	31 925 716	33 591 195
Deposit	31 111	24 233
Other	101 862 016	91 417 335
	266 601 655	**259 315 995**

Less: Allowance for impairment		
Electricity	(19 195 225)	(18 154 929)
Water	(49 248 733)	(53 226 973)
Sewerage	(54 211 176)	(56 622 691)
Refuse	(30 458 030)	(32 373 048)
Deposit	(26 244)	(21 482)
Other	(88 549 145)	(84 635 569)
	(241 688 553)	**(245 034 692)**

Net balance		
Electricity	4 130 435	1 374 796
Water	2 893 975	2 452 080
Sewerage	3 103 268	2 451 763
Refuse	1 467 686	1 218 147
Deposit	4 867	2 751
Other	13 312 871	6 781 766
	24 913 102	**14 281 303**

Electricity		
Current (0 -30 days)	2 591 782	2 184 925
31 - 60 days	523 928	1 295 990
61 - 90 days	534 792	548 604
91 - 120 days	479 933	(2 654 723)
	4 130 435	**1 374 796**

Water		
Current (0 -30 days)	1 089 243	1 168 005
31 - 60 days	638 432	656 395
61 - 90 days	689 571	627 680
91 - 120 days	476 729	-
	2 893 975	**2 452 080**

Sewerage		
Current (0 -30 days)	1 046 517	1 049 049
31 - 60 days	706 740	709 639
61 - 90 days	677 492	693 075
91 - 120 days	672 519	-
	3 103 268	**2 451 763**

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

5. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	396 433	419 403
31 - 60 days	367 357	403 201
61 - 90 days	354 082	395 543
91 - 120 days	349 814	-
	1 467 686	**1 218 147**

Housing rental		
Current (0 -30 days)	1 592	900
31 - 60 days	2 755	1 557
61 - 90 days	520	294
	4 867	**2 751**

Other (specify)		
Current (0 -30 days)	7 633 396	2 873 976
31 - 60 days	1 905 053	1 965 610
61 - 90 days	1 887 748	1 942 180
91 - 120 days	1 886 674	-
	13 312 871	**6 781 766**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(245 034 825)	(209 006 867)
Contributions to allowance	3 346 272	(36 027 825)
	(241 688 553)	**(245 034 692)**

Consumer debtors impaired

As of 30 June 2016, receivables from exchange transactions of R 266 891 908 (2015: R 261 970 715) were impaired and provided for.

The amount of the provision was R 241 688 553 as of 30 June 2016 (2015: R 245 034 692).

6. Inventories

Consumable stores	251 142	407 085
Water	34 029	37 127
	285 171	**444 212**

Inventory pledged as security

There was no inventory pledged as security at year end.

Inventory recognition

Consumable stores at year end are composed of electricity meters and water meters.

Inventory has been valued at cost.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

7. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	350 074	-	350 074	350 074	-	350 074

Reconciliation of intangible assets - 2016

	Opening balance	Total
Servitudes	350 074	350 074

Reconciliation of intangible assets - 2015

	Opening balance	Total
Servitudes	350 074	350 074

8. Other financial assets

Eskom deposit	216 815	216 815

Held as Security

An amount of R 216,815 (2015: R216,815) is held as security by Eskom Holding SOL Limited.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value or from fair value to cost or amortised cost during the current or prior year.

There were no disposals or gains on the financial assets during the year.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

9. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	48 361 717	-	48 361 717	49 511 635	-	49 511 635

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Land and buildings	49 511 635	(1 149 918)	48 361 717

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Land and buildings	49 436 677	74 958	49 511 635

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the valuations was . Revaluations were performed by an independent valluer, Rashika Naidu, of i@ Consulting. i@ Consulting are not connected to the municipality and have knowledge of the location and category of the investment property being valued.

The valuation was based on open market values for existing use.

10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	62 396 925	(53 460 876)	8 936 049	58 969 943	(48 736 725)	10 233 218
Infrastructure	687 979 875	(417 986 860)	269 993 015	768 617 852	(488 658 208)	279 959 644
Community	76 313 972	(40 340 259)	35 973 713	74 722 201	(37 284 183)	37 438 018
Other property, plant and equipment	16 949 816	(13 502 861)	3 446 955	17 304 308	(12 677 564)	4 626 744
Capital work in progress	43 521 455	-	43 521 455	27 135 137	-	27 135 137
Total	**887 162 043**	**(525 290 856)**	**361 871 187**	**946 749 441**	**(587 356 680)**	**359 392 761**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Work in progress capitalised	Depreciation	Total
Land and buildings	10 233 218	-	-	(1 297 169)	8 936 049
Infrastructure	279 959 644	-	4 010 013	(13 976 642)	269 993 015
Community	37 438 018	-	-	(1 464 305)	35 973 713
Other property, plant and equipment	4 626 744	371 300	-	(1 551 089)	3 446 955
Capital work in progress	27 135 137	20 396 331	(4 010 013)	-	43 521 455
	359 392 761	**20 767 631**	**-**	**(18 289 205)**	**361 871 187**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Work in Progress capitalised	Depreciation	Impairment loss	Total
Land and buildings	11 637 462	-	-	(1 403 211)	(1 033)	10 233 218
Infrastructure	271 604 865	4 434 847	20 129 924	(16 148 961)	(61 031)	279 959 644
Community	21 918 433	14 200 000	2 830 776	(1 506 083)	(5 108)	37 438 018
Other property, plant and equipment	6 338 757	808 725	-	(2 122 946)	(397 792)	4 626 744
Capital work in progress	13 536 110	36 846 706	(22 960 700)	-	(286 979)	27 135 137
	325 035 627	**56 290 278**	**-**	**(21 181 201)**	**(751 943)**	**359 392 761**

Pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

See note 31 for details on impairment of assets.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

11. Payables from exchange transactions

Trade payables	55 854 769	47 972 456
Accrued leave pay	6 318 057	5 261 062
Accrued bonus	825 963	799 580
	62 998 789	**54 033 098**

12. Consumer deposits

Deposits held on consumers	1 519 586	1 449 175

13. VAT payable

VAT payable	15 355 286	18 506 450

The Municipality is registered on the cash basis in terms of the Value Added Tax Act.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	13 584 761	19 395 026
Integrated National Electrification Programme	6 687 869	1 500 000
Gert Sibande District Municipality Grant	544 196	544 196
	20 816 826	**21 439 222**

See note 21 for the reconciliation of grants from National/Provincial Government.

15. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Increase in provision	Total
Provision for Landfill site	13 439 249	-	3 762 935	17 202 184
Provision for Long Service Awards	1 606 905	221 798	-	1 828 703
Department of Water Affairs	13 988 977	6 329 115	-	20 318 092
	29 035 131	**6 550 913**	**3 762 935**	**39 348 979**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision for Landfill site	14 454 073	-	(1 014 824)	13 439 249
Provision for Long Service Awards	1 085 430	521 475	-	1 606 905
Department of Water Affairs	12 016 765	1 972 212	-	13 988 977
	27 556 268	**2 493 687**	**(1 014 824)**	**29 035 131**

	2016	2015
Non-current liabilities	18 823 293	14 908 979
Current liabilities	20 525 686	14 126 152
	39 348 979	**29 035 131**

Provision for Long Service awards

The IAS19/GRAP25 Statement sets out the recognition, measurement and disclosure requirements in accounting for “defined benefit” plans. The Statement requires further that actuarial gains and losses and past service cost are to be recognised immediately for long-service employee benefits.

The actuarial valuation was performed by ARCH Consulting.

Provision for Landfill site

Grap 19 statement requires the recognition of a present obligation by an entity arising from past events, the settlement of which is expected to result in an outflow from the Municipality of resources embodying economic benefits (paragraph .16 of GRAP 19). The operation of a landfill results is an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The Landfill site valuation was performed by One Pangaea Financial in association with Gershem holdings.

Department of Water Affairs

The municipality is not in agreement with the rate per cubic meter charged by the Department of Water Affairs for extraction of raw water.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

16. Employee benefit obligations

Defined benefit plan

The plan is a post-employment medical benefit plan.

Post-retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19/GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.00% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2015. This rate does not reflect any adjustment for taxation.

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.5% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 7%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.82% which derives from ((1+9.47%)/(1+8.5%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2017.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(12 186 771)	(9 373 269)
Non-current liabilities	(11 908 059)	(9 142 857)
Current liabilities	(278 712)	(230 412)
	(12 186 771)	**(9 373 269)**

The fair value of plan assets includes:

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

16. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	423 607	435 295
Interest cost	833 488	644 872
Actuarial (gains) losses	1 786 819	1 306 874
Curtailment	(230 412)	(214 536)
	2 813 502	**2 172 505**

Assumptions used at the reporting date:

Actual return on plan assets	9 %	9 %
Actual return on reimbursement rights	9 %	8 %

Discount Rate: IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.00% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016. This rate does not reflect any adjustment for taxation.

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.5% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 7%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.89% which derives from ((1+9.47%)/(1+8.5%))-1.

The expected inflation assumption of 7.% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.84%) and those of fixed interest bonds (9.47%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.47%-0.50%)/1+1.69)/(1+1.84))-1.

The next contribution increase was assumed to occur with effect from 1 January 2017.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 75% was assumed.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

17. Service charges

Sale of electricity	39 757 022	35 272 517
Sale of water	14 872 149	13 055 527
Sewerage and sanitation charges	14 119 706	12 514 526
Refuse removal	5 363 907	5 067 631
	74 112 784	**65 910 201**

18. Other income

Advertising businesses	4 676	5 000
Burial fees	104 289	82 660
Certificates of compliance	13 127	3 377
Clearance certificates	295 516	324 196
Decrease in provision for landfill site	-	1 014 824
Donations	-	12 997 135
Escorting vehicles	22 930	19 363
Fines: Library	9 969	1 689
Insurance pay-out received	-	106 329
Penalties	5 135	112 700
Photocopies	3 900	8 605
Reconnection fees	7 248	21 391
Refuse bins	3 531	6 421
Tender documents	128 290	23 465
Tombstone erection	33 256	24 565
Town establishment	155 684	75 206
Trade licence fees	2 982	1 053
Valuation certificate	218	208
	790 751	**14 828 187**

19. Investment revenue

Interest revenue		
Bank	1 417 822	705 277
Interest charged on financial instruments	15 077 891	15 799 455
	16 495 713	**16 504 732**

Figures in Rand	2016	2015

20. Property rates

Rates received

Property rates	13 645 484	10 203 275

Valuations

Residential	897 328 100	895 976 200
Commercial	175 863 070	434 095 470
State	134 933 100	134 936 600
Municipal	91 060 799	91 931 799
Small holdings and farms	1 451 235 000	1 453 205 000
Religious places	20 523 000	20 523 000
	2 770 943 069	**3 030 668 069**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014.

A general rate of R 0.006843 (2015: R 0.0.00653) is applied to property valuations to determine assessment rates. Rebates of R15 000 (2015:R15 000) are granted to residential and state property owners.

21. Government grants and subsidies

Operating grants		
Equitable Share	52 509 000	48 618 000
Financial Management Grant	1 800 000	1 800 000
Municipal System Improvement Grant	930 000	934 000
Expanded Public Works Program Grant	1 439 000	1 435 000
Gert Sibande District Municipality Grant	-	1 655 804
LG Seta	-	524 774
	56 678 000	54 967 578
Capital grants		
Conditional conditional grants recognised as revenue	24 742 396	29 435 290
Department of Human Settlements Grant	-	13 680 000
	24 742 396	43 115 290
	81 420 396	**98 082 868**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

21. Government grants and subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	19 395 026	19 395 026
Current-year receipts	18 315 000	28 985 000
Conditions met - transferred to revenue	(15 730 265)	(29 435 291)
MIG withhled	(8 395 000)	450 291
	13 584 761	**19 395 026**

Conditions still to be met - balance remains liabilities (see note 14).

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of the community. Other than the unspent and withheld amounts as disclosed, the conditions of the grant were met.

Department of Human Settlements Grant

Current-year receipts	-	13 680 000
Conditions met - transferred to revenue	-	(13 680 000)
	-	**-**

This grant was used to purchase land which will be developed for the benefit of the community. The conditions of the grant were met and no funds have been withheld.

Integrated National Electrification Programme

Balance unspent at beginning of year	1 500 000	-
Current-year receipts	14 200 000	1 500 000
Conditions met - transferred to revenue	(9 012 131)	-
	6 687 869	**1 500 000**

Conditions still to be met - amount remains liabilities (see note 14).

This grant will be used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the grant were not met and the funds have been disclosed as unspent conditional grants.

Financial Management Grant

Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	-	**-**

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met and no funds have been withheld.

Municipal System Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	**-**

This grant was used to build in-house capacity to perform their functions and stabilise institutional and governance systems. The conditions of the grant were met and no funds have been withheld.

21. Government grants and subsidies (continued)

Expanded Public Works Program Grant

Current-year receipts	1 439 000	1 435 000
Conditions met - transferred to revenue	(1 439 000)	(1 435 000)
	-	-

The Expanded Public Works Program is a special performance-based incentive provided to provinces and municipalities that contribute to the employment creation efforts of the expanded public works program through the employment of previously unemployed people. The conditions of the grant were met and no funds have been withheld.

Gert Sibande District Municipality Grant

Balance unspent at beginning of year	544 196	-
Current-year receipts	-	2 200 000
Conditions met - transferred to revenue	-	(1 655 804)
	544 196	**544 196**

Balance remains liabilities and will be paid back to Gert Sibande District Municipality. (see note 14).

This grant was used to pay employees leave encashment. Other than the unspent amount as disclosed, the conditions of the grant were met.

LG Seta

Current-year receipts	-	524 774
Conditions met - transferred to revenue	-	(524 774)
	-	-

This grant was used to provide support training for employees. The Most of the conditions of the grant were met and no grants that have been withheld.

Department of Water Affairs

This grant was used to subsidise and build capacity in water schemes owned by the municipality. The conditions of the grant were met and no funds have been withheld.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

22. Revenue

Service charges	74 112 784	65 910 201
Rental of facilities and equipment	212 641	203 359
Licences and permits	3 493 909	3 379 282
Other income	790 751	14 828 187
Interest revenue	16 495 713	16 504 732
Property rates	13 645 484	10 203 275
Government grants & subsidies	81 420 396	98 082 868
Fines, Penalties and Forfeits	1 521 250	925 750
	191 692 928	**210 037 654**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	74 112 784	65 910 201
Rental of facilities and equipment	212 641	203 359
Licences and permits	3 493 909	3 379 282
Other income	790 751	14 828 187
Interest revenue	16 495 713	16 504 732
	95 105 798	**100 825 761**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	13 645 484	10 203 275
Transfer revenue		
Government grants & subsidies	81 420 396	98 082 868
Fines, Penalties and Forfeits	1 521 250	925 750
	96 587 130	**109 211 893**

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

23. Employee related costs

Acting allowances	821 215	723 656
Basic salaries and wages	28 654 149	26 520 810
Bonus	1 988 389	1 871 595
Car allowance	342 698	555 256
Group insurance	464 654	441 379
Housing benefits and allowances	407 575	78 936
Industrial council levy	15 773	15 178
Leave pay	1 233 205	1 506 469
Long-service awards	87 758	74 390
Medical aid - company contributions	2 142 780	1 539 513
Overtime payments	2 051 707	2 263 753
Post-employment benefits - Pension - Defined contribution plan	5 008 809	4 787 572
SDL	333 392	325 526
Standby allowances	183 256	210 564
Transport allowances	1 022 872	987 654
UIF	270 317	256 941
	45 028 549	**42 159 192**

Remuneration of municipal manager

Annual Remuneration	1 304 914	1 020 480
Car Allowance	-	11 989
	1 304 914	**1 032 469**

During the year, Mr. D.V. Ngcobo was the Municipal Manager, and at reporting date Mr SL Netshivhale was the Acting Municipal manager

Remuneration of chief finance officer

Annual Remuneration	842 156	789 030
Car Allowance	72 000	111 932
	914 156	**900 962**

During the year, Mrs. A.M. Ngema was the Chief Financial Officer.

Remuneration of corporate services director

Annual Remuneration	747 371	312 188
Car Allowance	120 000	33 882
	867 371	**346 070**

During the year, Mr T Goba was the Director: Corporate Services

Remuneration of community services director

Annual Remuneration	825 630	797 250
Car Allowance	21 000	32 484
	846 630	**829 734**

During the year, Mr. I.V. Madonsela was the Community Services Director.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

23. Employee related costs (continued)

Remuneration of technical services director

Annual Remuneration	847 269	797 250
Car Allowance	-	39 848
	847 269	**837 098**

During the year, Mr. R.B. Ntshanana was the Technical Services Director.

Remuneration of planning and development director

Annual Remuneration	772 979	723 666
Car Allowance	73 585	119 223
	846 564	**842 889**

During the year, Ms. L.P. Makaya was the Planning and Development Director.

24. Remuneration of councillors

Executive Mayor	717 798	693 631
Speaker	574 895	559 078
Chief Whip	236 946	222 697
Mayoral Committee Members	1 100 913	1 050 880
Councillors	2 328 176	2 396 497
	4 958 728	**4 922 783**

In-kind benefits

The Executive Mayor, Speaker and the two Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor (Cllr NS Nhlapho), from July 2015 to 28 February 2016 was staying at a rented house at the cost to Council.

The Executive Mayor has the use of a separate Council owned vehicle for official duties.

The Council, from July 2015 is paying for full-time bodyguards for the Executive Mayor.

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

25. Depreciation and amortisation

Property, plant and equipment	18 289 205	21 181 201

26. Finance costs

Interest paid	389 547	932 455

Figures in Rand	2016	2015

27. Debt impairment

Contributions from receivables from exchange transactions	(3 346 139)	36 027 825
Contributions from receivables from non-exchange transactions	(1 618 118)	8 579 929
Bad debts written off	33 303 734	-
	28 339 477	**44 607 754**

28. Bulk purchases

Electricity	41 738 022	36 138 855
Water	1 618 753	1 429 557
	43 356 775	**37 568 412**

Bulk purchase of water is water supplied by Eskom on behalf of the Municipality to Grootvlei (ward 5) residents.

29. Grants and subsidies paid

Other subsidies		
Free basic services	3 163 334	584 678

30. General expenses

Advertising	431 637	264 427
Audit fees	3 778 078	2 994 348
Bank charges	344 523	342 831
Cleaning	30 790	191 676
Commission paid	541 749	833 210
Consulting and professional fees	6 231 757	6 859 295
Insurance	1 160 823	1 275 834
Community development and training	-	86 025
IT expenses	189 698	143 663
Licence fees	1 423 057	1 417 757
Motor vehicle expenses	2 484 423	2 442 245
Postage and courier	-	1 144
Printing and stationery	-	5 438
Protective clothing	356 225	182 071
Security costs	5 407 363	5 356 782
Staff welfare	4 360	10 270
Security costs	586 701	541 000
Telephone costs	953 201	761 960
Training	360 585	769 118
Telephone costs	1 829 659	1 101 258
Restoration costs	3 762 935	-
Water extraction charges	5 654 634	1 730 011
Fire extinguishers	67 525	-
Township establishment	30 863	18 083
Chemicals	5 446 201	3 319 478
	41 076 787	**30 647 924**

31. Impairment of assets

Impairments		
Property, plant and equipment	102 249	751 942

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

32. Auditors' remuneration

Fees	3 778 078	2 994 348

33. Cash generated from operations

(Deficit) surplus	(6 437 244)	17 761 550
Adjustments for:		
Depreciation and amortisation	18 289 205	21 181 201
Fair value adjustments	1 149 918	(74 958)
Impairment deficit	102 249	751 942
Debt impairment	28 339 477	44 607 754
Movements in retirement benefit assets and liabilities	2 813 502	2 172 505
Movements in provisions	10 313 848	1 478 863
Changes in working capital:		
Inventories	159 041	(232 692)
Receivables from exchange transactions	(38 971 276)	(42 514 581)
Receivables from non-exchange transactions	(1 272 898)	602 769
Prepayments	-	111 486
Payables from exchange transactions	8 965 700	12 488 857
VAT	(3 151 164)	1 907 019
Unspent conditional grants and receipts	(622 396)	952 905
Consumer deposits	70 411	(3 950)

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015

34. Commitments

Authorised capital and operating expenditure

Already contracted for but not provided for		
• Property, plant and equipment	18 805 199	9 898 515
• Operating expenditure	694 994	5 229 822
	19 500 193	**15 128 337**

Total capital commitments		
Already contracted for but not provided for	19 500 193	15 128 337

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	358 140	309 105
- in second to fifth year inclusive	285 660	138 600
	643 800	**447 705**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	164 000	166 000

The Municipality has no long term contracts with their lessees. All contracts are on a month to month basis.

35. Contingent liabilities

(i) Agri operations is suing the municipality for electricity which is unrelated to the volume of consumption. The amount being claimed is R 1,884,046.

36. Related parties

Related party transactions

Purchases from (sales to) related parties		
ADVIDATA Trading (Councillor W Davel)	-	3 088

37. Changes in accounting estimate

Property, plant and equipment

During the current financial year the Remaining Useful Lives (RUL) of assets was assessed, and a number of adjustment were made to the opening RUL for 2016. The adjustment resulted in a change in estimate for the current year of increased useful lives from between 1 and 2 to 2 and 3.
The effect of this revision has reduced the depreciation charges for the current and future periods by R -.

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

38. Prior period errors

- Property, Plant and Equipment with a Cost of R 314 257 032 with its accumulated depreciated amount of R 215 814 791 Had to be de-recognised and recognise an amount of R 282 233 445 with Accumulated depreciation of R 136 657 089 respectively as the verification of Property plant plant was a 100 per cent verification project .
- Investment property now includes land that was previously excluded in prior year investment property register to the value of R 44 750 100 with a fair value adjustment of R 881 577 being recognised in priot year as adjsutment to opening balance.
- Services charges: Electricity was restated by R 2 654 724 due to incorrect charges being levied on the consumers.

The correction of the error(s) resulted in adjustments as follows:

Statement of financial position		
Property, plant and equipment	-	47 134 115
Investment property	-	45 631 677
Statement of Financial Performance		
Service charges:	-	(2 654 724)

39. Comparative figures

Certain comparative figures have been reclassified.

40. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of grants, which includes the unspent conditional grants disclosed in note 16, and cash and cash equivalents in note 3, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio.

This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

The municipality's strategy is to maintain a debt: equity ratio of between 2 to 1

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

40. Risk management (continued)

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Municipality treasury identifies, evaluates financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

41. Going concern

The Financial Statement have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.

43. Unauthorised expenditure

Opening balance	14 639 063	87 343 103
Add: Current year movement	37 311 567	12 373 860
less: Written off by Council	(14 639 063)	(85 077 900)
Unauthorised expenditure awaiting authorisation	**37 311 567**	**14 639 063**

44. Fruitless and wasteful expenditure

Opening balance	1 975 739	3 086 541
Add: Current year movement	389 546	932 455
Less: Written off	(1 575 996)	(2 043 257)
Fruitless and wasteful expenditure awaiting condonement	**789 289**	**1 975 739**

The fruitless and wasteful expenditure for R 789 289 (2015: R 1 975 739) relates to interest charged on late payments to Eskom and SARS.

45. Irregular expenditure

Opening balance	45 259 544	31 732 740
Add: Irregular Expenditure - current year	9 282 362	13 526 804
Irregular expenditure awaiting condonement	**54 541 906**	**45 259 544**

The amount of 2016: R 9 282 362 (2015: R 13 526 804) relates to irregular expenditure – current year.

The above irregular expenditure is currently being investigated by the Municipal Public Accounts Committee who will provide recommendations for recoverability and any disciplinary steps that will be taken. As at 30 June 2016 they were not yet completed with their processes.

The detailed list of current year irregular expenditure is shown below:

Details of current year irregular expenditure

AL Mphago Kemase	3 573 284
	-
AONSA	1 277 530
	-
BICACON	49 605
	-
Gai Trading	378 024
G4S	164 120
	-
Karen Beef	1 500 000
	-
Maximum Profit Recovery	169 948
	-
Ndlunkhulu Engineering	1 401 508
	-
Oakdale/Hwiri Trading	83 649
	-
PD Naidoo (Pty) Ltd	606 674
	-
Sizwe Ntsaluba	78 021
	9 282 363

45. Irregular expenditure (continued)

Details of current year supply chain deviations

600SA	Repair of arsh truck- Sole provider in the Municipal database	10 025
Aida	Accomodation for the Executive Mayor	95 358
Amandla Guesthouse	Accommodation for MFMA trainees-Other Hotels were fully booked	10 800
Arch Acruals Consulting	Valuation and draft Report of Long Service Award Liability for DLM- Extention of scope of work during the audit	2 974
Barloworld Moto+C30:F50r Retail SA	Service for FYC 256 MP, Executive Mayors car- Urgent procuremnt Mode of transport for the Mayor	5 682
Bell Equipment Sales	Repairing of TLB- Urgent procuremnt for Service delivery	77 927
Bigboy Charles General Construction	Emergency Electrical Fault Repair* In case of emergency, there was no power in Balfour Town	84 900
Bombai Electrical	Repair MV Cabble at balfour town- In case of emergency	21 033
	Test & Repair IV Cable at Balfour Town	9 986
	Test and Locate 4xcable fault,supply and installation 5xinline joints for 95mm- In case of emergency	48 560
	Test and Repair Cable at Grootvlei- In case of emergency	36 360
	Test and Locate 1xCable Fault,Supply and Installation 2xinline joints for 95mm- In case of emergency	39 630
	Test & Repair 11kv Cable at Balfour(Super Spar)- In case of emergency	42 750
Cascade	Replacing of water pipes in Greylingstad- In case of emergency (No water in Greylingstad)	7 000
Degreat namadodana Pty Ltd	Emergency VIP Toilets- In case of emergency	35 000
Fix-Em Panelbeaters	Towing of fire engine registration number DVL 371 MP- Only towing services on the municipal database	4 850
Heraut Publishers	Advert for Notices	2 886
	Advert for tarrifs notice	8 160
	Advert for special Incentive	4 352
Ilca Trading	Purchasing of 2x borewhole pumps- In case of emergency	53 743
	Purchasing of 2x borehole pumps- In case of emergency	16 880
ITNA Trusted Value	Network- Sole provider in the Municipal database	3 160
Juta and Company	Purchasing of Legislation Books- Sole provider in the Municipal database	17 632
Kenyon Security Services	Kenyon Security Services VIP Protection Service- Security for Councillors	1 628 063
Khulamboyisa	Purchasing of till rolls and consol paper- Tills rolls urgently needed	3 190
Mayivuthe Contractors	Supply and Delivery of Cable 11kv Joints- In case of emergency	103 000
Miya Technology	Emergency Repair of burnt DB Box- In case of emergency	78 225
	Supply and Delivery of Transfomer- In case of emergency	109 240
Netsec	ESET endpoint antivirus- Annual licence	12 600
Nomdric Electrical and Projects	Emergency power outtage in Greylingstad and Balfour- In case of emergency	152 900

45. Irregular expenditure (continued)

	Servicing 315KVA Oil Transfomer- In case of emergency	199 447
	Emergency Power failure in Grootvlei- In case of emergency	119 700
	Emergency Power failure in Grootvlei- In case of emergency	86 000
	Repair and Commission in Grootvlei- In case of emergency	184 499
	Repair and Replacement of cut lines and breacker - In case of emergency	197 900
	Emergency Repair at Grootvlei Sewer Plant	149 000
	Emergency Repair Greylingstad	57 210
	Installation of protection and Repairing and Terminating odd cable. In case of emergency	199 800
	Repairing Transfomer in Grelingstad- In case of emergency	93 000
	Supply and Cable Pieces- In case of emergency	148 500
	Cable Repair- In case of emergency	132 900
	Power Outagein Balfour Nkanini- In case of emergency	177 900
	Installation of Heavy Duty Crane- In case of emergency	82 500
Prompt Services	Repairing High Mast- In case of emergency	10 850
	Repairing Transfomer- In case of emergency	15 800
	Repairing Transfomer ward 3- In case of emergency	15 850
	Cable joint ward3 Balfour CBD- In case of emergency	10 950
South African Unlimited Opportunities	Supply and Installation of Pump Greylingstad- In case of emergency	179 900
Sure Travel Set	Purchasing of Flight Tickets- Sole provider in the Municipal database	2 061
TCS	Traffic system licence fees.- Sole provider in the Municipal database	35 000
Thru Rainbow Pty Ltd	Repairing siren and bell tip bracket- In case of emergency	4 455
Turfmaster	Purchasing of Heavy and Light duty brush cutter's- In case of emergency	139 875
U Can Construction	Fixing of Mayor PA Proof- In case of emergency	28 900
	Extension of scope for refurbishment of main municipal building- Service provider was already providing service	12 820
Variprint System	Phurchasing k53 Books- Sole provider in the Municipal database	9 597
Workshop Electronics	Vehicle Costs- Sole provider in the Municipal database	7 271
		5 028 551

The above supply chain deviations have been reported to council.

46. Additional disclosure in terms of Municipal Finance Management Act

Material distribution losses

Electricity	6 278 902	578 374
Water	5 255 038	5 013 287
	11 533 940	**5 591 661**

Electricity distribution losses for the current year were **15% amounting to R6 278 902 (2014: 1.6% amounting to R578,374)**. These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses.

Water distribution losses comprises of non-billed water, and for the current year were **65%, amounting to R 5 255 039 (2015: 66% amounting to R5 013 287)**. These water distribution losses cannot be accounted for mainly due to theft, faulty pipes, spillages etc. This problem is currently being addressed by installing additional meters and a data cleansing process will be initiated to address the losses.

See note 28 for the total electricity bulk purchases for the year. For water, the Municipality purifies its own water except for the water supplied by Eskom to Grootvlei (ward 5) residents.

Contributions to organised local government

Current year subscription / fee	510 820	505 000
Amount paid - current year	(510 820)	(505 000)
	-	**-**

Audit fees

Opening balance	8 467	-
Current year subscription / fee	3 778 078	2 994 348
Amount paid - current year	(3 315 852)	(2 985 881)
	470 693	**8 467**

Pension and Medical Aid Deductions

Opening balance	-	520 043
Current year subscription / fee	6 817 843	6 770 108
Amount paid - current year	(6 817 843)	(7 290 151)
	-	**-**

PAYE and UIF

Opening balance	1 554 870	1 978 798
Current year subscription / fee	5 665 513	6 427 685
Amount paid - current year	(6 595 853)	(6 851 613)
	624 530	**1 554 870**

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT payable	15 355 286	18 506 450

VAT output payable is shown in note 13.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr M Tsotetsi	121	144	265
Cllr MD Khanye	433	-	433
Cllr DG Zwane	1 624	8 085	9 709
	2 178	**8 229**	**10 407**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr M Tsotetsi	432	508	940
Cllr DG Zwane	1 942	10 349	12 291
	2 374	**10 857**	**13 231**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2016	Highest outstanding amount	Aging (in days)
Cllr DG Zwane	8 085	120
Cllr M Tsotetsi	144	120
	8 229	**240**

30 June 2015	Highest outstanding amount	Aging (in days)
Cllr DG Zwane	12 291	120
Cllr M Tsotetsi	940	120
	13 231	**240**

Notes to the Unaudited Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

47. Budget differences

Material differences between budget and actual amounts

The following were material differences between the final budget and the actual amounts.

47.1 Employee related increased due increase in long service awards and leave provisions

47.2 Debt impairment decreased due bad debt written off

47.3 Depreciation: Over provision

47.4 Bulk Purchases Increase due annual increase of 14.24 per cent of Eskom charges and electrification of houses in Grootvlei and Siyathemba ward 4s

47.5 .Grants and susidies decreased to less registration of indigent

47.6 .General expenses due to increase in Audit fees, provision in landfill site, increase in water extraction charges and water chemicals